LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7156
BILL NUMBER: SB 208

NOTE PREPARED: Mar 29, 2007
BILL AMENDED: Feb 26, 2007

SUBJECT: Prior Authorization for Nursing Home Admissions.

FIRST AUTHOR: Sen. Dillon
FIRST SPONSOR: Rep. C. Brown

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
 DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows, beginning July 1, 2008, the Office of Medicaid Policy and Planning to require an individual to receive prior approval from the Office before being admitted to a nursing facility.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) This bill would provide that a Medicaid-eligible person being discharged from a hospital to a nursing facility may be required to have prior approval from OMPP before being admitted to the nursing facility after June 30, 2008. Prior approval may be required in addition to the currently required participation in the nursing facility Pre-Admission Screening program (PAS). OMPP is authorized to promulgate rules to implement this provision. This bill could result in cost savings for the state and improved quality of life for individuals diverted from avoidable nursing facility admissions.

OMPP has estimated that 10% of individuals who might otherwise be admitted to nursing facilities directly from a hospital could be diverted to home- and community-based services by requiring prior approval. OMPP estimated that if 81 individuals can be diverted, approximately $3.3 M of total nursing facility cost ($1.2 M state share) could be avoided in the Medicaid program. This estimate does not include the offsetting cost of home-care waiver services that would be provided for diverted individuals. However, by definition, waiver services may cost no more in the aggregate, than the placements in nursing facilities.

OMPP would contract for prior approval services. The cost of the contract does not appear to be included in the estimated savings.

The Medicaid program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues: County-owned nursing facilities might experience a minor reduction in admissions.

State Agencies Affected: Division of Aging and OMPP, Family and Social Services Administration.

Local Agencies Affected: Local county-owned nursing facilities.

Information Sources: Division of Aging, Family and Social Services Administration.

Fiscal Analyst: Kathy Norris, 317-234-1360.